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Michigamme Township has had a long history with mining within its boundaries. From the underground Michigamme Iron Mines at the turn of the last century to the current Eagle copper/nickel project owned and developed by Rio Tinto. The existing Part 632 Non-Ferrous Metallic Mineral Mining Law was crafted with a very active participation by Michigamme Township Officials.

The current Ad-Valorem Mine Tax Law is complicated. Most of it is based on confidential estimations, predictions; ore market pricings, industry and environmental deductions. The basis of this "front loaded" tax dates back to the 1800s. There currently is an effort to change this tax to a severance tax similar in nature to the Specific Iron Ore Tax. HB 6008 and HB 6009 introduced by Representative Matt Huuki is the bill that will change this non-ferrous metallic mineral tax. Michigamme Township has a few issues with this bill as presented.

HB-6008

The inclusion of buffer lands (pg. 5 line 23) as mining property and the removal of them from the property tax rolls needs to be limited to a certain distance from the actual permitted mine sight. We suggest that a distance of ¼ of a mile (1320 ft.) would be sufficient.

We do not see a need for an interim severance tax (pg.6 line 21). This seems to complicate things and is reminiscent of the "front loaded" ad-valorem mineral tax. However, there would have to be included some way to stop the existing ad-valorem mine tax and just leave the property taxes and personal property taxes in place until the severance tax starts.

The distribution between taxing units (pg. 13 line 25) applies when one mine is located in more than one taxing unit. It should state that the split is based on the taxpayer's percentage of capital investment in each taxing unit.

The split of severance tax revenue between the Michigan Rural Development Fund and the Local taxing units (pg. 14 lines 5&11), according to estimations done by Rio Tinto, percentages need to be 80% to the locals and 20% to the Rural Development Fund in order for the Local revenues to stay the same as they would be under the existing Ad Valorem Mine Tax Law.

Some of the things that are in this law have come a long way to make the proposed severance tax to be a fair and just tax for all parties involved.

(OVER)

The severance revenues can be used the same way that general ad valorem property tax revenue is used for a taxing entity.

Out of formula school districts would receive their split based on their millage levied. This is essential for the Republic –Michigamme School District as they are an out of formula district.

The severance tax rate of 2.75 is fair and equitable and with an adjustment to the split percents (80%-20%) the locals can be held harmless.

No other business or resident pays their taxes ahead of time based on estimations of business and value. Paying taxes after the ore is extracted is a much simpler way to go. We at Michigamme Township feel that a severance tax is coming one way or another. This severance tax could be changed slightly to assure that we will be held harmless. All parties involved should come together from the Governor's office to the Michigan State Senate and House of Representatives on down to the Counties, Townships and School Districts to support a simpler, fairer, up front, hold harmless Severance Tax.

The same process took place in the past for the development of the Specific Iron Ore Tax. That tax structure has helped the Iron Mines in Marquette County continue to operate today. The passage of this severance tax may mean the difference in the long term stability of the Upper Peninsula. If the locals are held harmless they will continue to support mining within their community for the future.

HB-6009

The Rural Development Board has two members from the Lower Peninsula. (pg. 2- line23)
Michigamme Township feels that if the revenue was generated from the Upper Peninsula all the Board members should be from the Upper Peninsula.

At least 1 of the members shall be a resident of the area where funds are generated. (pg. 3-line1)
Michigamme Township feels that 2 members shall be Permanent Residents from the Township, City or Village that the funds are being generated in.

A preference for projects in the region in which revenues are generated. (pg. 6 line 25)
Michigamme Township feels that the rural development funds should only be used in the Townships, Cities, and Villages where the funds are generated.

How much tax money comes to the Upper Peninsula from the large sporting arenas, casinos or auto manufacturers that are in the Lower Peninsula? If this Rural Development Fund is designed to offset the boom and bust of Mining it can only be used for areas that are affected by Mining. If the Rural Development fund is set up for success it could only be a benefit to the Upper Peninsula.